

Bhim: India's ticket to a cashless economy

Converting the promise of the online payments app into digital dividends for India will require a concerted effort

VARAD PANDE AND GAGANDEEP NANDA

are at Dalberg, a strategic advisory firm focused on social impact, including financial inclusion.

The country seems to be on a train to cashless, and the Unified Payments Interface (UPI)—the payment system that allows mobile-enabled money transfer between bank accounts—seems to be the ticket to ride. While many banks have launched UPI apps, the Bharat Interface for Money (Bhim), the common app that can be used by anyone who has a bank account with a linked mobile number, is seen as the most promising. From the Prime Minister (PM) to district magistrates (DMs), everyone in government seems to be promoting Bhim—the PM invoking it in his *Mann Ki Baat* radio programme, and reportedly recently asking smartphone manufacturers to pre-install the app in phones; and DMs conducting “Digi-Dhan Melas” to push its adoption.

But can Bhim really be India's ticket to a cashless economy? Our research with users (and potential users) of Bhim across four states in India suggests that it has a lot going for it, but ensuring mass adoption will require important product tweaks and a carefully executed go-to-market strategy to make the app go viral.

Bhim provides a smartphone front-end to make bank-to-bank payments. The beauty of the app lies in its simplicity—it's “light” (2MB), has an uncluttered and simple user-interface (UI), and the transaction experience is fast. It also works on basic phones (*99#). Our research suggests that contrary to the perception of many payment apps, most users consider transactions on Bhim to be “safe” because it has government backing. And combining the superior user experience (UX) with UPI's low transaction cost (currently free for both payers and payees), means that we finally have a payments app that can genuinely compete with cash on both convenience and price. This is especially attractive for small merchants, who need to do multiple quick small-ticket transactions and are wary of “going digital” given their razor-thin margins.

But scaling up will require more. On the product front, our research shows that less tech-savvy users struggle at different stages of the on-boarding process and are tripped up by the jargon (“passcode”, “UPI PIN”, “VPA”, etc.) There is a clear need for greater guidance and handholding through the on-boarding process, and in helping a user make the first transaction.

On the marketing front, a targeted go-to-market strategy is needed to convert the initial interest and impressive number of downloads (about 18 million) into active use. The secret sauce will be to get “network effects” (or the “WhatsApp effect”), i.e., people start using a platform because others in their network use it.

So what exactly needs to be done? There are five specific asks to ensure Bhim can scale.

First, make on-boarding simpler and guided: Given the challenges faced by less tech-savvy users in on-boarding, having a simple guided flow on each screen that walks users through the process, will help. Once a user has on-boarded, the home screen could provide a guided flow explaining how to transact, or the opportunity to do a first test transaction. A short video may be embedded in the app explaining key features, on-boarding, and first use.

Second, quickly launch incentive schemes. The finance minister in his budget speech announced two schemes for promoting Bhim—a referral scheme and a merchant cash-back scheme. We think these schemes have great potential if designed well. We recommend a simple design (for example, using the mobile number as the referral code) and including in-app notifications and nudges (for example, messages like “Congratulations, you have just earned Rs100, next goal: Rs500!”). The reward money should be transferred to the user's bank account as soon as possible to capitalize on the “instant gratification” effect.

Third, drive behaviour change by targeting the right transactions. Payments is a classic “network effect” phenomenon. Research has shown that focusing efforts to drive transactions that are pervasive (affecting a large number of people) and repetitive (low-value, high-frequency) can lead to quick adoption. Our analysis of household spending in India narrows this to five transactions—payments at *kirana* stores, pharmacies, public distribution system outlets, public transport, and remittances. These five trans-



HEMANT MISHRA/MINT

actions account for about Rs22 trillion in annual spending (about 45% share of the household wallet) across approximately 100 billion transactions. Therefore, a concerted effort to drive these transactions by doing a concerted campaign to bring merchants such as *kirana* store owners, pharmacists, auto/taxi drivers on Bhim, for example, will be the holy grail to get scale. This can be done through targeted campaigns (mass-media, feet-on-street efforts, etc.) that narrowly focuses on these segments, with simple messaging around “Why Bhim” (key advantages), “How to use it” (step-by-step guidance) and “Why start now” (incentives offered).

Fourth, ensure Bhim is accepted in key payment networks, especially those backed by government entities. The Metals and Minerals Trading Corporation of India recently became the first public sector unit to accept payments through Bhim. A similar push is needed across other networks in the government's ambit where many users transact daily: Petrol pumps, Indian Railways, city public transport systems, India Post, government hospitals, etc., should all become Bhim acceptors, quickly, for both online and offline transactions, and ideally offer a discount as compared to cash.

Fifth, nudge banks to promote Bhim uptake in its existing customer base. There are about 740 million debit cards in India but only about 18 million people have downloaded Bhim. Banks could be mandated to take steps to increase this penetration rate. This could be done through an SMS campaign for customers around Bhim and posters at each bank and ATM branch that detail the key benefits, essentials to get on-boarded, and the registration process.

Bhim holds great potential to help realize India's vision of a cashless economy at the household level, and the building blocks are clearly in place. But well begun is (only) half done. Converting the digital promise of Bhim into a digital dividend for India will require a concerted effort.

Comments are welcome at theirview@livemint.com